

SREB — STATE AUTHORIZATION RECIPROCITY AGREEMENT

(Developed from the original draft prepared by the WICHE SARA Advisory Committee in consultation with WICHE staff, EducationCounsel, the Presidents’ Forum, the Council of State Governments, MHEC, SREB, and NEBHE)

PREAMBLE

Americans deserve and require access to high quality postsecondary education, not only because the economic vitality of the nation depends upon how well our population is educated but because a well educated population also contributes greatly to the social and civic vitality of the nation. The Southern Regional Education Board (SREB) operates as a regional interstate compact between the 16 Southeastern states to promote this national imperative within the region.

Historically, the federal government, state governments, and the postsecondary education community through its accrediting processes and organizations have collaborated to assure that the providers of higher education services were meeting standards of quality and access to serve the nation and its citizens well. Through what is often referred to as the federal triad the federal government has accepted responsibility for assessing the financial viability of education providers; the states have accepted primary responsibility for assuring that students, as the consumers of educational services, are protected from fraud, abuse, or inadequate provision of services by educational providers; and the educational community through accreditation has accepted responsibility for assuring the adequacy of educational services offered by educational providers.

This three way collaboration has traditionally worked well to assure reasonable quality, accountability, and consumer protection.

As the nature of postsecondary education has evolved, particularly since the advent of the Internet and the exponential growth of education offered “off campus,” each leg of the federal triad has faced challenges, but the states’ role in assuring consumer protection has come under particular scrutiny. What state is responsible when an institution physically located in one state (the traditional criteria for state oversight) provides education in other states?

To clarify the federal government’s understanding of state responsibilities in this regard, in October 2010 the U.S. Department of Education issued regulations indicating that, consistent with existing federal law, states were responsible for all education offered to residents within their state boundaries, regardless of where this education “originated.” This regulation appropriately applied to all types of postsecondary education for which students qualified for federal student assistance, regardless of the sector or level of higher education. While this was consistent with existing law, it was counter to the way in which many states were overseeing education; relatively few states were either overseeing or were even aware of the substantial amount of education being provided within their boundaries by institutions from other states.

This clarification of federal expectations had major implications for postsecondary institutions and states. In addition to existing state regulations, there was now a clear federal requirement that all institutions offering education in other states be able to demonstrate that they had the approval to serve students in each of those other states. With the expansion of distance education (via Internet-based

48 education, telecommunications, or other means) many institutions increasingly served students from
49 other states. While some institutions had sought and received such authorizations, in many cases at
50 substantial expense, most institutions offering such instruction had not done so. This federal
51 clarification, therefore, had significant potential implications for institutions, including incurring the costs
52 of securing and maintaining such approvals to operate and the substantial time and effort in securing
53 such authorizations. In some cases access for students to quality higher education was eliminated if their
54 institution decided not to incur the cost of complying. States also faced substantial new expectations,
55 with the potential of thousands of institutions requesting approval from all states, well exceeding the
56 management capacity of current state authorization agencies.

57

58 Although a federal district court has vacated this regulation and an appeals court affirmed the lower
59 court's decision, those rulings dealt only on technical issues regarding the Department of Education's
60 processes for notification in development of the regulation. The Department's ultimate authority to
61 regulate in this area was upheld. The Department continues to believe strongly in the role of the states
62 in overseeing the delivery of these educational services. While it will not enforce the regulation as
63 originally written, we believe that some form of the regulation will emerge that addresses the court's
64 concerns but maintains a strong state role in overseeing all education delivered within their boundaries.

65

66 Despite the difficulties arising from the federal regulatory action, the federal expectation of a strong
67 state role in authorization makes sense. This is, in fact, an appropriate state role and responsibility with
68 or without the federal mandate. Consistent with their collaborative missions, we believe that the four
69 existing regional higher education interstate compacts are uniquely positioned to quickly and
70 effectively assist on this issue. The compacts include the Midwestern Higher Education Compact
71 (MHEC), the New England Board of Higher Education (NEBHE), the Southern Regional Educational Board
72 (SREB), and the Western Interstate Commission for Higher Education (WICHE). The compacts operate
73 with the express purpose of expanding educational opportunity within their respective regions. We
74 believe that states within a region, working together and agreeing on terms of engagement and
75 collaboration, can trust each other to work cooperatively and consistently toward reciprocally accepting
76 each other's authorization of institutions to operate. Interstate recognition within a region would also
77 extend to cover all participating states regardless of region. Trust, thus, becomes a guiding principle for
78 a state authorization reciprocity agreement. Trust, however, requires confidence that each of the
79 partners takes seriously its responsibilities with regard to authorizing only institutions that provide high
80 quality education, whether that is through traditional campus-based classroom experiences or through
81 technology mediated or off-campus based experiences.

82

83 Similarly, this agreement presumes the efficacy of the federal triad.

84

85 This SREB State Authorization Reciprocity Agreement (S-SARA), therefore, is built upon these three
86 partnerships: the first being between SREB member states as reciprocal partners, the second being
87 agreement between the four higher education regional compacts, and finally the partnership between
88 nationally recognized accreditors, the federal government, and the states.¹

89

¹ SARA is an agreement among states; it is not an agreement among institutions. Institutions need to seek authorization from their home state to participate in the reciprocity agreement.

90

91 Definitions

92

93 A good agreement must be easily and consistently understood by all partners. Definitions of terms,
 94 therefore, become very important. Throughout this agreement, where references are made to terms
 95 that might be interpreted differently by different partners, definitions are included in footnotes to
 96 ensure maximum transparency.

97

98 This is a Voluntary Agreement

99

100 This agreement establishes reciprocity between willing *SREB* member states that accept each
 101 others' authorization of accredited institutions to operate in their states to offer educational
 102 services beyond state boundaries. Participation in this agreement is entirely voluntary on the
 103 part of the state. This agreement is intended to facilitate expanded access to high quality
 104 distance education opportunities for students by improving state policy and operational
 105 mechanisms. This agreement applies only to educational services provided by institutions
 106 outside of their home state boundaries, and in no way affects the unique processes that states
 107 may use to authorize institutions to operate or to exempt² institutions from oversight within
 108 their own state.

109

110 Just as participation in this agreement at the state level is voluntary, so too is participation at the
 111 institution level. Institutions that wish not to subject themselves to the level of oversight
 112 consistent with interstate reciprocity can opt not to participate and thus either choose not to
 113 provide educational services beyond the boundaries of their state or to seek separate
 114 authorization to operate in those states in which they wish to offer educational services.

115

116 Benefits of Reciprocity

117

118 Significant benefits will accrue to students, institutions and states if the current lack of uniformity
 119 in the patchwork of state regulation can be improved through sharing in common, high quality
 120 and consistently applied processes and standards.

121

- 122 • Institutions will reap financial benefits by no longer having to engage in the confusing
 123 and duplicative process of seeking approval to operate on an individual, case-by-case
 124 basis in each state in which it serves students.
- 125 • States will benefit by maintaining their rights and responsibilities to assure quality
 126 programs are offered by institutions within their state. States will also benefit by
 127 focusing their limited resources on the oversight of institutions within their state,
 128 regardless of where that institution serves students. As the number of institutions
 129 serving students in multiple states continues to increase, state regulatory offices would
 130 find it difficult to conduct meaningful reviews and on-going oversight of the hundreds, if
 131 not thousands, of out-of-state institutions operating in their states.

133

² *Exempt* means: an institution that by state regulation is not required to have a full approval to operate within the state based on meeting certain criteria in that state. Exempt institutions will not be eligible to participate in the State Authorization Reciprocity Agreement unless they seek and obtain approval from their home state to operate under the terms of this agreement.

- 134 • Students will benefit as lower costs for institutions will mean fewer costs passed on to
135 students. Some students are finding their options limited as institutions choose not to
136 serve students in states with onerous authorization requirements. Since regulators will
137 focus their reviews on their “home state” institutions, they will have more confidence in
138 the review process and that complaints will be handled and resolved.
139

140 Ultimately, the quality of postsecondary education is reflected in the outcomes derived from
141 education. But quality outcomes result from quality processes, and state authorization must
142 focus on both the processes that enable students to acquire the pertinent knowledge and skill as
143 well as the outcomes that demonstrate the acquisition of knowledge and skills.
144

145 Partnerships

146
147 WICHE and the regional compacts have benefitted greatly in the development of this agreement
148 from the work of the Presidents’ Forum and Council of State Governments. With support from
149 Lumina Foundation, they have been engaged in an effort to create a model nationwide interstate
150 reciprocity program. Now both efforts are being brought together, establishing a framework for
151 the four regional interstate compacts, and states and territories that do not currently belong to
152 one of the four interstate compacts, to join together in a collaborative effort to ensure
153 nationwide coverage through four collaborative regional reciprocal agreements. We believe that
154 collaboration between these well-established and highly-regarded regional interstate compacts
155 is the most cost-effective and viable approach to achieve nationwide coverage and will achieve
156 the purposes imbedded within the work of the Presidents’ Forum and Council of State
157 Governments.
158

159 PURPOSES

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161 This compact builds upon and strengthens the existing efforts of states, accrediting bodies, and the
162 federal government to facilitate expanded access to high quality education by:
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- 164 1. Establishing common, high quality and consistently applied processes and standards
165 endorsed by participating states, which are efficient and cost-effective;
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- 167 2. Providing for consumer protection and a complaint resolution process;
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- 169 3. Providing for the uniform collection and sharing of information between and among
170 member states for the purposes of assuring adequate quality for education services
171 provided by institutions operating outside of their home state boundaries;
172
- 173 4. Reducing barriers to innovation in educational delivery;
174
- 175 5. Increasing access to postsecondary education and degree completion.
176

RESPONSIBILITIES OF THE REGIONAL COMPACTS AND THE RECIPROCATING STATES

Responsibilities of the Regional Compacts

Each of the regional higher education compacts will manage reciprocity between its member states³ in the acceptance of state authorization from all reciprocating states that meet the criteria for reciprocity as defined in this agreement. Each compact will establish a regional State Authorization Reciprocity Agreement (SARA) steering committee. The regional steering committees shall be composed of one representative from each state participating in the reciprocity program selected by the regional compact's commissioners from that state, and up to five additional members selected by the regional compact's commissioners from a slate developed by the respective compact's chief executive officer to represent communities of interest in this agreement that have not been included naturally through the selection process outlined above. Examples of communities of interest include, but are not limited to: state regulators, accreditors, institutions from all sectors of higher education, and state government. Steering committee members' terms of service will be determined by the respective regional compact's governing board.

Three states (New Jersey, New York, and Pennsylvania), the District of Columbia, and all of the U.S. territories and protectorates, do not currently belong to a regional compact. They all have access to all federal education programs and thus are captured at least by the federal government's interest in this set of regulatory issues. These states and territories, subsequently referred to as "non-affiliated" states in this agreement, have the option of paying a \$50,000 annual fee to align with one of the regional compacts so that they can participate in the reciprocity agreement. If they do so, they will each have one representative on the respective compact's regional steering committee.

Each of the regional State Authorization Reciprocity Agreement (SARA) steering committees will establish the criteria for state participation in this reciprocity program and will adjust these criteria, as appropriate, over time. A state seeking to participate in its region's SARA program will submit a plan as to how it will meet the criteria for participation. The regional steering committee will review the plan and work with the state to improve the plan until the committee is able to recommend its approval by that region's regional compact. The steering committee also recommends other procedural details and actions regarding participation in SARA to their regional compact's commissioners.

Each regional compact will develop processes for informing states of the requirements for joining the regional reciprocity agreement, accepting states into the reciprocal arrangement, rejecting states from acceptance into the reciprocal arrangement, sanctioning states that fail to meet fully the requirements for participation, and dismissing from the reciprocal arrangement states that fail to respond to concerns that they are not meeting the requirements for participation. These processes must include a process for appeal in the event that a state disagrees with the compact's decision. All states entering into the reciprocity agreement will be reviewed on at least a biennial basis by their respective regional compact to assure that their authorization processes and participating institutions continue to meet all of the criteria for inclusion in the

³ *State* means: any state, commonwealth, district, or territory of the United States.

223 reciprocity agreement.

224

225 In the South, the program will be operated by the Southern Regional Education Board, under the
226 bylaws and consistent with all other SREB programs. The other three regional interstate
227 compacts, the Midwestern Higher Education Compact (MHEC), the New England Board of Higher
228 Education (NEBHE) and the Western Interstate Commission for Higher Education (WICHE) will
229 oversee the agreement in their region.

230

231 SREB is unique among the four regionals in that it has had a longstanding and effective
232 reciprocal arrangement in place among 14 of its 16 member states for online programming. From the
233 inception of the Electronic Campus (EC) in 1998, a central and fundamental aspect of the original guiding
234 principles of the EC, established and adopted by all SREB member states, was establishing procedures,
235 which would allow colleges and universities to operate freely without additional state
236 approval/authorization in other member states. This process was adopted and included in the original
237 EC guidelines for participation. The reciprocal process — SREB Electronic Regional Reciprocity
238 Agreement (SECRRA) — allows institutions offering courses and programs that were reviewed and
239 approved by the institution's home state and listed in the EC to be exempted or otherwise recognized to
240 deliver online offerings in other SREB states. A central and fundamental aspect of the original guiding
241 principles of the EC, established and adopted by all SREB member states (15 in 1998) was establishing
242 procedures, which would allow colleges and universities to operate freely without additional state
243 approval/authorization in other member states. This process was adopted and included in the original
244 EC guidelines for participation. The reciprocal process allowed institutions offering courses and
245 programs that were reviewed and approved by the institution's home state and listed in the EC to be
246 exempted or otherwise recognized to deliver online offerings in other SREB states. There were
247 restrictions, including the institution had to be a not-for-profit, regionally accredited and chartered in
248 one of the SREB states. While there were restrictions, SECRRA has worked well and SREB states and
249 institutions remain supportive of the arrangement.

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251 In administering the national reciprocity agreement among its member states, SREB will build
252 off the experience in SECRRA to move states to adoption.

253

254 Creating Reciprocity Nationwide

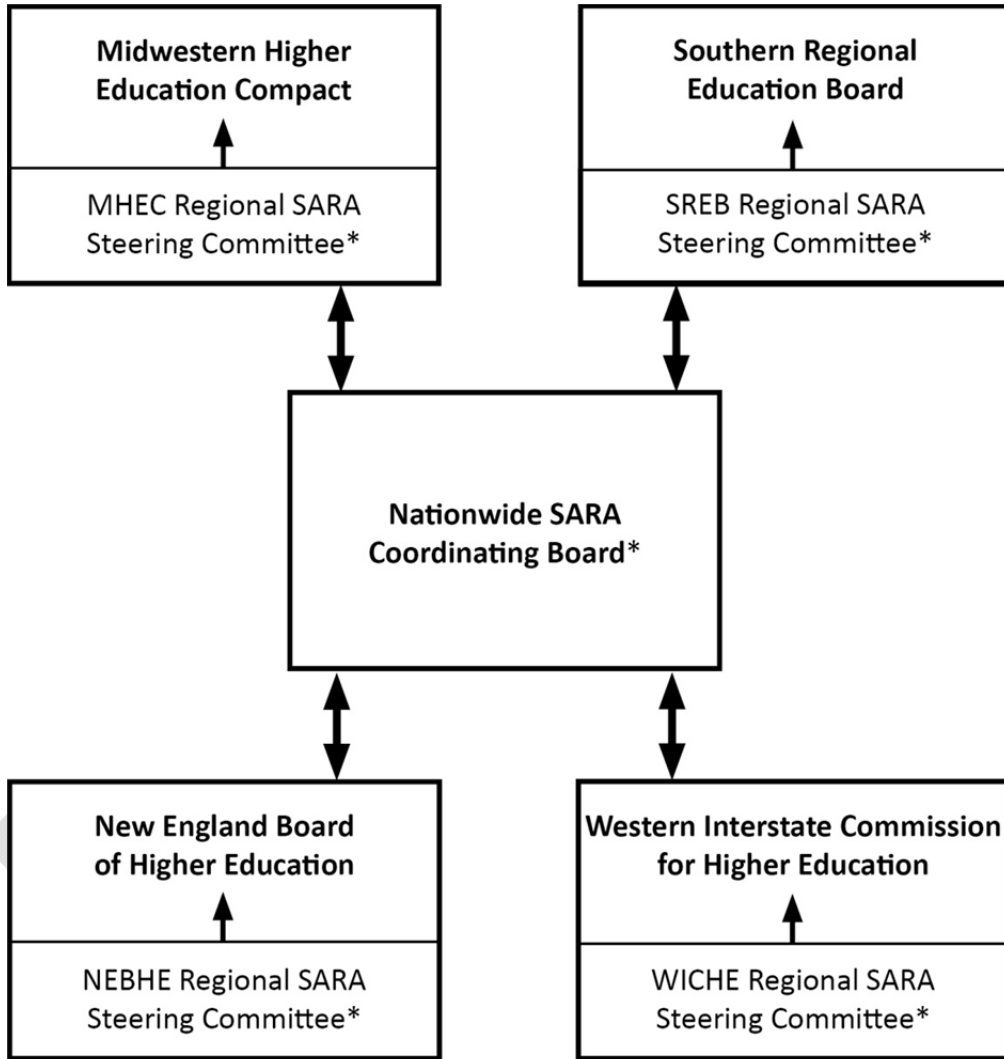
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256 The four regional compacts jointly accept the responsibility for working together and with states and
257 territories that currently do not belong to a regional compact, for the purposes of harmonizing the State
258 Authorization Reciprocity Agreement across the regions and assuring that the quilt of regional agreements
259 will cover the nation as a whole. This will include creating an organizational structure for the
260 coordination of efforts between these various entities. This Nationwide SARA Coordinating Board will be
261 sufficient in size to assure that the perspectives of all stakeholder groups will be represented on the
262 board, but small enough to be an effective working coordinating board. We anticipate that 15-17 council
263 members will be selected. The Board will include the CEO's of the four regional compacts (or their
264 designee), which will be charged with developing the four Regional State Authorization Reciprocity
265 Agreements that will ensure nationwide coverage of state reciprocity. The remainder of the board, up to
266 13 possible additional members, will be selected to represent a diverse set of perspectives and interests.
267 Membership will not be driven by numerical representation or delegated interests; rather members will
268 be selected based on their knowledge of the field, ability to work across multiple perspectives, and
269 commitment to the collaborative work and success of the national council. The selection committee will
270 draw from all institutional sectors (including large- and small-scale public, private and for-profit distance

271 education providers), regional and national accreditation agencies, state regulators, state attorneys
 272 general, and state higher education executive officers. Board members will serve staggered terms, with
 273 limits established for the length of time that board members may serve.

274
 275 Below is a diagram of how this network of collaborative efforts will fit together to provide a nationwide
 276 framework. An organizational flow chart follows.

277



* Refer to the Responsibilities of the Regional Compacts and the Creating Reciprocity Nationwide sections for information on the composition of the committees and board.

278 This organizational structure will work as follows. The states will be the principal guardians of consumer
 279 protection. They will develop processes for authorizing and overseeing all accredited degree granting
 280 postsecondary education⁴ institutions⁵ within their state that wish to offer educational services outside
 281

⁴ *Postsecondary education* includes all education beyond high school and includes all public, non-profit private, and for-profit private institutions as well as all institutions offering certificates, diplomas, and/or degrees. For purposes of this reciprocity agreement, however, institutional participation will be restricted only to degree granting institutions.

282 the state’s boundaries. The regional SARA Steering Committees will develop processes for recognizing⁶,
 283 for purposes of reciprocity in state authorization, states that demonstrate that they have developed and
 284 operate agencies that appropriately authorize⁷ and oversee all degree granting postsecondary education
 285 institutions within their state that wish to offer educational services outside state boundaries. The
 286 nationwide coordinating board will develop processes for recognizing reciprocity between regional
 287 SARAs, for assuring that each SARA is appropriately overseeing the states within its regional reciprocity
 288 agreement, and for harmonizing procedures among the regions to make the reciprocal recognition of
 289 state authorization as seamless and uniform as possible for institutions.

290

291 Responsibilities of the Reciprocating States

292

293 States participating in this reciprocity agreement have two major areas of responsibility.

294

295 Authorizing Responsibility: First, the states must assure that they have appropriate laws, policy,
 296 practice, and processes for authorizing all accredited⁸ postsecondary education institutions that
 297 operate from their state. The state is defined as the home state⁹ for all institutions claiming the
 298 state as its principle location for accreditation purposes. This includes authorizing all distance
 299 learning activities of these institutions not only in the home state, but in all other states (defined
 300 as *host states*¹⁰) in which the institutions provide educational services. After initial
 301 authorization, the home state must review the institution at least every other year for the
 302 purposes of affirming or denying authorization. To demonstrate a state’s adequacy in
 303 authorizing institutions, the state must demonstrate to the regional SARA that it meets all of the
 304 criteria for authorizing institutions outlined in the next section of this agreement.

305

306 Physical Presence

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308 One of the most difficult tasks in crafting an interstate agreement on state authorization is
 309 determining what activities an institution can or cannot conduct in a state, whether those
 310 activities be at a distance or face-to-face. While states use different monikers for these criteria
 311 used to determine which activities are allowed in a state, they tend to fall under the notion of
 312 “physical presence.” It is imperative, therefore, to clearly define what “physical presence” means
 313 for institutions participating in SARA for two reasons: 1) because institutions with a physical
 314 presence in a host state will not be eligible for reciprocal authorization; and 2) to clearly define

⁵ **Institution** means: a college, university, or other postsecondary education institution or collection of such entities doing business as one organization, with an institutional identification from the Office of Postsecondary Education within the U.S. Department of Education (OPEID).

⁶ **Recognize** means: states participating in the reciprocity agreement agree to accept each other’s institutional authorization decisions.

⁷ **Authorized** means: holding a current valid charter, license or other written document issued by a state, federal government or government of a recognized Indian tribe, granting the named entity the authority to issue degrees.

⁸ **Accredited** means: holding institutional accreditation by name to offer distance education as a U.S.-based institution from an accreditor recognized by the U.S. Department of Education. Only institutions holding such accreditation can participate in interstate state authorization reciprocity.

⁹ **Home State** means: a state where the institution holds its principal institutional accreditation.

¹⁰ **Host State** means: a state in which an institution operates under the terms of this agreement, other than the home state.

315 what activities can be conducted in a state as a result of participating in this agreement.

316

317 The following sections begin to describe the activities that an institution participating in SARA
 318 can or cannot conduct in other states that are part of the Agreement. There are so many
 319 variations on these activities that it is impossible to cover all contingencies. The items listed
 320 below provide initial guidelines to each regional compact, but it is anticipated that each region's
 321 steering committee will need to review specific instances of activities conducted in other states
 322 and provide additional guidance.

323

324 Physical Presence Activities in a Host State Allowed by SARA

325

326 If an institution is authorized by its home state and that home state is an approved participant in
 327 SARA, the institution is eligible to conduct the following activities in any of the SARA states.

328 Physical presence (or "to operate") is not triggered in a state participating in this agreement by
 329 any of the following activities:

330

331 1. Courses offered at a distance (online, through the United States mail or similar delivery
 332 service) that do not require the physical meeting of a student with instructional staff in a
 333 host state.

334

335 2. Academic offerings among institutions from SARA states that are participating in a
 336 consortia agreement approved by each of those participating institutions.

337

338 3. Advertising to students within a state, whether through print, billboard, direct mail,
 339 internet, radio, television or other medium.

340

341 4. Recruiting

342

343 5. Experiential learning opportunities arranged for an individual student, such as a clinical,
 344 practicum, residency, or internship, provided that:

345 a. The institution has already obtained all of the professional and licensure
 346 approvals necessary (if any) to conduct the learning opportunity in the state
 347 only a small number of students from each institution is physically present
 348 simultaneously at a single field site.

349

350 6. An educational field experience arranged for a group of students that are participating in
 351 campus-based programs in another state.

352

353 7. An offering in the nature of a short course or seminar, if instruction for the short
 354 course or seminar takes no more than twenty classroom hours.

355

356 8. A portion of a full-term course that comprises less than 2 class periods equivalent to six
 357 hours of the requirements necessary to complete the course.

358

- 359 9. Course offerings by an accredited institution on a U.S. military installation, limited to
360 active and reserve military personnel, dependents of military personnel, and civilian
361 employees working on the military installation.
- 362
- 363 10. Operation of a server, router or similar electronic service device when such
364 device is not housed in a facility that otherwise would constitute a physical
365 presence; the presence of a server or similar pass-through switching device in a
366 state.
- 367
- 368 11. Having faculty, adjunct faculty, mentors, tutors, recruiters, or other personnel residing in
369 a state. The presence of instructional faculty in a state, when those faculty offer entirely
370 online or other distance-education instruction and never meet their students in person
371 for educational purposes while in that state, does not establish a presence of the
372 institution in that state or an offer of a course or program from that state for purposes of
373 this agreement.
- 374
- 375 12. Requiring a student to take a proctored exam at a location or with an entity in the host
376 state prescribed by the institution.
- 377
- 378 13. Having a contractual arrangement in a state.
- 379

380 Physical Presence Activities in a Host State Not Covered by SARA

381
382 For purposes of this agreement, any of the following activities in a host state are not covered by
383 this agreement since they constitute a “physical presence.” An institution would be subject to
384 the laws and regulations of each individual state in which it conducts these activities:

- 385
- 386 1. Establishing a physical location in a state for students to receive synchronous or
387 asynchronous instruction; or
- 388
- 389 2. Requiring students to physically meet in a location in the state for instructional
390 purposes as required for the course; or
- 391
- 392 3. Establishing an administrative office in the state, including:
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 - 394 a. Maintaining an administrative office in the state for purposes of
395 providing information to prospective students or the general public
396 about the institution, enrolling students, or providing services to
397 enrolled students;
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 - 399 b. Providing office space to instructional or non-instructional staff; or
 - 400
 - 401 c. Establishing an institutional mailing address, street address, or phone
402 number in the state.
 - 403

404 Complaint Resolution Responsibility: The states must assure that they have reasonable
405 processes for monitoring authorized institutions and for addressing and redressing complaints or
406 concerns that are raised concerning authorized institutions. To demonstrate a state’s adequacy

407 in monitoring and adjudicating the actions of authorized institutions, the state must
 408 demonstrate to SREB that it meets all of the criteria for monitoring and adjudicating actions of
 409 authorized institutions, as outlined in the next section of this agreement.

410

411 CRITERIA FOR STATE AUTHORIZATION AND OVERSIGHT

412

413 The previous section introduced the responsibility of states in two essential, related, but distinctly
 414 different types of activities: authorization of accredited institutions to operate and oversight of
 415 institutions that are authorized to operate. Because the criteria for these two functions differ, they are
 416 detailed separately in this section.

417

418 Criteria for Authorizing Institutions to Operate and to Continue Operating

419

420 *Academic Integrity:* States wishing to participate in this regional interstate reciprocity
 421 agreement will agree to accept accreditation by a federally-recognized accrediting agency
 422 as both necessary and sufficient evidence of reasonable institutional academic quality for
 423 purposes of delivering services outside their home state or receiving services from other
 424 states participating in the reciprocity agreement. Accreditation, therefore, will be
 425 acceptable evidence of adequacy with respect to curriculum, measurement and
 426 achievement of student learning outcomes, award of credit, faculty qualifications, student
 427 support services, and academic support services. States that wish to require more
 428 documentation for their home institutions certainly have the prerogative of doing so, but
 429 for purposes of reciprocal acceptance of institutional authorization from other states to
 430 offer educational services beyond state boundaries, accreditation by an accrediting agency
 431 recognized by the U.S. Secretary of Education upon the advice of the U.S. Department of
 432 Education's National Advisory Council on Institutional Quality and Integrity (NACIQI) must
 433 be accepted as sufficient evidence of reasonable institutional academic quality. Additional
 434 criteria to be used in resolving student academic complaints about an institution are
 435 provided in the complaint section below.

436

437 *Financial Integrity:* SREB states wishing to participate in this interstate reciprocity agreement
 438 will agree to accept the standards established by the federal government for demonstrating
 439 financial responsibility. The U.S. Department of Education considers a public institution to be
 440 financially responsible if its debts and liabilities are backed by the full faith and credit of the state
 441 or other government entity. The school must provide the Department with a letter verifying that
 442 backing from the state, local, or municipal government entity, tribal authority, or other
 443 government entity that has the legal authority to make that designation. While accrediting
 444 associations also collect financial information, the federal government has developed a robust
 445 and well-accepted process for assessing independent, nonprofit and for-profit institutions' financial
 446 data based on audited financial statements. Relying on this federal information provides a high
 447 quality mark that is updated annually and reduces redundancy of reporting by institutions, thus
 448 reducing administrative burden. All institutions deemed financially responsible by the federal
 449 government for participation in federal Title IV programs, with a composite financial
 450 responsibility score of 1.5 or better, will be deemed financially responsible for purposes of
 451 approval to operate within the State Authorization Reciprocity Agreement. Institutions with a
 452 federal composite financial responsibility score of 1.0 to 1.5 may be deemed financially
 453 responsible within the State Authorization Reciprocity Agreement if the home state, upon broad
 454 review of the institution's financial information, determines that the institution's financial

455 condition is sound. No institution with a federal composite financial responsibility score less than
 456 1.0 will be considered eligible for interstate reciprocity, even if it has been deemed to be Title IV
 457 eligible by the U.S. Department of Education. Any institution that wishes to participate in the
 458 State Authorization Reciprocity Agreement but that does not have an established federal
 459 composite financial responsibility score because it has chosen not to participate in federal Title
 460 IV programs must be determined by the state authorizing entity in its home state to be
 461 financially responsible based on audited financial information and calculations comparable to
 462 those used by the U.S. Department of Education.

463
 464 *Consumer Protection:* The federal triad gives states the lead responsibility for protecting
 465 consumers of postsecondary education. Some of the criteria in this arena are also included
 466 within institutional accreditation and within federal oversight, but the primary responsibility of
 467 the states lies in this area. The potential adverse consequences for the citizens of the states are
 468 so significant that these criteria cannot be assigned solely to either the accreditors or the federal
 469 government. States will maintain responsibility for:

470
 471 *Recruitment, Marketing, and Other Institutional Disclosures:* To qualify for
 472 acceptance into the State Authorization Reciprocity Agreement, a state must
 473 demonstrate that institutions authorized by the state are held accountable for and
 474 have attested to the veracity and adequacy of the institutions' recruitment material,
 475 marketing efforts, and other institutional disclosures. This must include each
 476 institution being held accountable for and attesting to at least the following:

- 477
- 478 • Providing full information about institutional and program requirements in a
 479 format that prospective students and the public can easily understand and
 480 access.
 - 481
 - 482 • Assuring that program advertisements and promotional information include all
 483 special or exceptional program requirements.
 - 484
 - 485 • Ensuring that job placement and related salary information are supported by
 486 evidence of their accuracy and efficacy.
 - 487
 - 488 • Providing information on programs that prepare students for licensed
 489 professions that explicitly states whether the program, including clinical or
 490 experiential practice, meets licensure standards in all states in which the
 491 institution has students enrolled.
 - 492
 - 493 • Monitoring and accepting responsibility for assuring professional conduct of
 494 recruiting and marketing staff.
 - 495
 - 496 • Disclosing institutional and programmatic accreditation status and providing a
 497 brief explanation of what the accreditation status means along with the
 498 respective accreditor's information.
 - 499

500 *Tuition, Fees, and Other Charges:* With respect to tuition, fees, and other charges,
 501 states require their authorized institutions do at least all of the following:

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- Disclose all tuition, fees, and other costs associated with attendance, including fees and costs that are unique to specific programs of study.
- Publish clear policies and practices regarding refunds to students, including transparent and readily available information on refund deadlines and refund amounts.
- Provide accurate and complete information about financial aid available to students attending the institution, including all forms of financial aid (grants, scholarships, loans, and work-study) and the sources (institutional, private philanthropic, state, and federal) of each form of aid.

Admissions: To qualify for acceptance into the State Authorization Reciprocity Agreement, a state must demonstrate that it assesses the efficacy of the admissions process for every institution seeking new or renewal of authority to serve students via distance delivery in other states. Admissions criteria must include at least the following:

- Clearly stated and comprehensive requirements for admission to the institution must be available to prospective students and this information must also be available as applicable for programs resulting in a certificate, degree, or diploma.
- Reasonable assurance the admitted students have the capacity to succeed in the program(s) to which they are accepted.

Complaints and Concerns: To qualify for acceptance into the State Authorization Reciprocity Agreement, a state must assure that it requires all institutions seeking authorization to demonstrate that they do at least all of the following with respect to complaints against the institution and resolution of such complaints:

- Establish and sustain a complaint procedure that includes clearly understood and published processes for lodging a complaint, both within the institution, to the state authorizing entity, and to the institution's accrediting agency;
- Establish and sustain processes within the institution for responding appropriately to complaints and for documenting their resolution;
- Establish and sustain a process for reporting formal complaints and their resolution to the state authorizing entity, including procedures that ensure that an institution's complaint resolution process has been exhausted before the complaint is elevated to the state authorizing entity; and
- Establish and sustain a process for working with the state authorizing entity on resolving complaints that have been lodged and not resolved with that entity.

In addition to requiring institutions to provide such assurances of responsiveness to consumer complaints, the state must demonstrate that it has processes for following

550 up on both formal complaints that it receives and on concerns that come to the
 551 attention of the state authorizing entity. The state must demonstrate that it is
 552 prepared to accept and act on all legitimate complaints and concerns registered with
 553 the state agency with regard to an institution that it has authorized for operation,
 554 whether the education provided by the institution was provided in the home state or
 555 in a host state. The state authorizing entity must have processes for responding to
 556 complaints and concerns from students as consumers, institutions, accrediting
 557 agencies, other states within the reciprocity program, the federal government, or
 558 other interested parties. Because the states have the primary responsibility for
 559 consumer protection and because the accrediting bodies focus more directly on
 560 institutional issues, rather than individual student or consumer complaints, it is the
 561 responsibility of the state to follow up on all legitimate complaints. The
 562 responsibility includes complaints not only related to violations of the consumer
 563 protection requirements or of financial solvency of the institution but also include
 564 academic standards initially established with an institution's accreditation.

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 566 With respect to resolving complaints or concerns regarding academic standards, all
 567 states participating in the State Authorization Reciprocity Agreement will be guided
 568 by the standards for the evaluation of distance education (on-line learning) adopted
 569 by the Council of Regional Accrediting Commissions (C-RAC), which is composed of
 570 all of the regional accrediting associations. Abiding by the C-RAC guidelines will
 571 ensure that the standards used by accreditors for initial authorization of institutions
 572 by the state will be consistent with the guidelines used by states in responding to
 573 complaints or concerns lodged with them regarding matters of academic integrity. If
 574 deemed necessary in the future, SARA can review and replace these guidelines that
 575 are consistent with those used by other entities in reviewing institutional practices.

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 577 The state must demonstrate that it accepts affirmative responsibility to promptly
 578 report, as appropriate, complaints and concerns to both the institutions about whom
 579 the complaints/concerns were lodged and, as appropriate, to the body that accredits
 580 the institution. While the host state is not responsible for following up on
 581 complaints regarding an institution operating within the state but based elsewhere,
 582 the host state must have a process of transferring such complaints that it receives to
 583 the home state that has authorized the institution to operate. The home state is
 584 responsible for informing the host state of the status or outcome of a complaint
 585 lodged through the host state.

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587 Criteria for Overseeing Authorized Institutions

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589 As important as assuring that institutions seeking authority to operate within a state are fit for this
 590 purpose is the responsibility of the state to assure that the institution abides by the assurances and
 591 commitments it made in seeking authorization.

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593 Complaints: The state must periodically demonstrate at least every other year to its State
 594 Authorization Reciprocity Program that the formal complaint process on which it was approved
 595 works effectively to protect students from possible institutional malfeasance, abuse,
 596 incompetence or criminality. This must include evidence of at least the following:

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- Evidence that consumers (students and subsequent employers) have reasonable access to information about the complaint process.
 - Documentation of: 1) all formal complaints received, 2) notifications of complaints provided to institutions and accrediting agencies, and 3) complaint resolutions.
 - Demonstration that complaint resolutions were appropriate to the severity and veracity of the complaints, including punishment and restitution for violations (within clearly described guidelines) including specific criteria for the termination of authorization to operate.

609 Each regional SARA steering committee will establish the specific criteria for these reporting requirements.

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612 *Concerns:* The state authorizing entities will become aware of potential problems or possible violations of state authorization, either through staff inquiries or other sources. It is the affirmative obligation of the state entity to address appropriately such concerns. All states participating in a regional State Authorization Reciprocity Agreement must periodically demonstrate that they have clear and well-documented policies and practices for addressing such concerns, and that they have followed these policies and practices, consistent with the processes identified in the preceding paragraph. Each regional SARA steering committee will establish the specific criteria for these reporting requirements.

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620 *Catastrophic Responses:* State authorizing entities must respond on occasion to catastrophic events at one or more of the institutions that they oversee. All states must periodically demonstrate to their regional SARA entity that they have clear and well-documented policies and practices for addressing such catastrophic events, including at least the following.

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- In the event of the unanticipated closure of an institution, that the state has a process of assuring that students receive the education they contracted for or reasonable financial compensation for what they did not receive. Such assurances can come in various forms — tuition assurance funds, surety bonds, teach-out provisions, etc. — and they can come from individual institutional requirements, multi-institutional cooperatives or state-supported activities. A participating state can choose its own approach, but it must demonstrate regularly that the approach it has selected adequately protects students as consumers.
 - The state entity must also assure that it either requires institutions to have disaster recovery plans, particularly with respect to the protection of student records, or that the state provides such a plan.

640 Financing SARA

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642 To finance the expenses of establishment, organization and ongoing activities and to assist states in fulfilling their roles in the State Authorization Reciprocity Agreement, the Nationwide State Authorization Reciprocity Coordinating Board has the authority to collect fees. Fees will be collected from institutions from SARA member states that have chosen to participate in the Agreement and have

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646 been authorized by the appropriate state entity.

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648 These fees will be managed and distributed by the coordinating board and will be guided by the
649 following principles:

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651 A. Participation in SARA does not infringe upon the right of any member state to charge fees to
652 its home state institutions to cover the costs associated with review, approval, and
653 monitoring of operations of institutions in its state. The home state shall retain all such fees.

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655 B. Institutions operating in states other than their home state under the provisions of this
656 agreement shall pay a SARA fee annually to the Nationwide SARA Coordinating Board.

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658 C. The SARA fees will be sufficient, in aggregate, to fund the operational expenses associated
659 with the Nationwide SARA Coordinating Board and the regional compacts' SARA related work
660 and will be low enough to encourage institutional participation in this activity.

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662 D. The SARA fee will be standardized across all regions.

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664 After receiving input from each regional compact and participating states and institutions, the
665 coordinating board shall annually approve and publish the SARA fee schedule for institutions.

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667 The SARA fee will use a graduated scale based upon the number of students enrolled in or served by an
668 institution. The tier levels and the metrics to measure students will be determined by the coordinating
669 board and openly published as part of the fee schedule.

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671 It is anticipated that the annual operating costs for the four regional compacts' SARAs and the
672 nationwide coordinating board will be approximately \$1.5 million. If as few as 300 institutions chose to
673 participate in these agreements, which is the fewest we can imagine would do so, the average cost,
674 would be approximately \$5,000 per institution. If as many as 1,000 institutions chose to participate,
675 which would represent slightly more than 20 percent of all degree-granting institutions currently
676 participating in the federal Title IV student aid programs, and which represents a reasonable target for
677 participation, the average cost per institution would be \$1,500. Initial fees will probably range between
678 \$1,500 and \$5,000 per year and will be adjusted over time as more institutions participate.

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680 Such are the criteria for participating in the State Authorization Reciprocity Agreement. Any of the
681 states who meet these criteria, and are deemed to have done so by the relevant SARA steering
682 committee, will be accepted into this reciprocal agreement.